First quarter report

FOR THE THREE MONTHS ENDED MARCH 31, 2013

SaskPower

Powering the future

STRATEGIC DIRECTION

Our vision
A world-leading power company through innovation, performance and service

Our mission
Reliable, affordable, sustainable power

Our values
Safety, dedication and respect

Our core strategies and key priorities

People
- Customer experience
- Workforce excellence
- Stakeholder relations

Financial
- Process efficiency and cost management

Stewardship
- Supply mix diversification
- Infrastructure management, renewal and growth
- Environmental stewardship
- Technology enablement

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Indicators

(in millions)	Three months ended March 31 2013	2012	Change
Revenue	$ **513**	$ 463	$ 50
Expense	**426**	420	6
Income before unrealized market value adjustments	**87**	43	44
Net income	**80**	23	57
Capital expenditures	**237**	192	45
Long-term debt	**3,174**	2,777	397
Short-term advances	**677**	425	252
Finance lease obligations	**434**	436	(2)
Return on equity [1]	**18.2%**	9.6%	8.6%
Per cent debt ratio [2]	**66.2%**	64.6%	1.6%

1. Return on equity = (annualized income before unrealized market value adjustments)/(average equity).

2. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds– cash and cash equivalents).

Operating Statistics

(GWh [1])	Three months ended March 31 2013	2012	Change
Saskatchewan electricity sales	**5,339**	4,931	408
Exports	**106**	83	23
Total electricity sales	**5,445**	5,014	431
Gross electricity supplied	**6,143**	5,687	456
Line losses	**(698)**	(673)	(25)
Net electricity supplied	**5,445**	5,014	431
Electricity trading purchases	**74**	96	(22)
Line losses	-	-	-
Electricity trading sales	**74**	96	(22)
Generating capacity (net MW [2])	**4,104**	4,094	10
Peak load (net MW [2])	**3,379**	3,265	114
Customers	**492,448**	483,570	8,878

1. One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical houses in one year.

2. Megawatt (MW) is a unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower; the Corporation). It should be read in conjunction with the SaskPower unaudited condensed consolidated financial statements and supporting notes for the three months ended March 31, 2013. These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. The SaskPower Audit & Finance Committee of the Board of Directors has approved the condensed consolidated financial statements.

The MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Financial results

	Three months ended March 31		
(in millions)	**2013**	2012	Change
Revenue			
Saskatchewan electricity sales	**$ 478**	$ 427	$ 51
Exports	**11**	8	3
Net sales from electricity trading	**1**	5	(4)
Share of profit from equity accounted investees	**1**	3	(2)
Other revenue	**22**	20	2
	$ 513	$ 463	$ 50
Expense			
Fuel and purchased power	**$ 143**	$ 134	$ 9
Operating, maintenance and administration	**137**	145	(8)
Depreciation and amortization	**83**	77	6
Finance charges	**49**	50	(1)
Taxes	**12**	12	-
Other losses	**2**	2	-
	$ 426	$ 420	$ 6
Income before the following	**$ 87**	$ 43	$ 44
Unrealized market value adjustments	**(7)**	(20)	13
Net income	**$ 80**	$ 23	$ 57
Return on equity [1]	**18.2%**	9.6%	8.6%

1. Return on equity = (annualized income before unrealized market value adjustments)/(average equity).

Highlights and summary of results

SaskPower's consolidated income before unrealized market value adjustments was $87 million in the first quarter of 2013 compared to $43 million in the first quarter of 2012. The increase was primarily due to higher Saskatchewan electricity sales. The return on equity was 18.2%, up 8.6 percentage points from the previous period.

Total revenue was up $50 million in the first quarter of 2013, compared to the first quarter of 2012. The improvement in revenue was attributable to a $51 million increase in Saskatchewan electricity sales due to the 5.0% system-wide average rate increase that became effective January 1, 2013 and higher sales volumes. Exports also increased $3 million due to an increase in the average export sales price and higher sales volumes to Alberta. These increases were slightly offset by decreased electricity trading profits which were down $4 million due to a decline in trading volumes.

Total expense increased $6 million in the first quarter of 2013, compared to the first quarter of 2012. Fuel and purchased power costs increased $9 million largely as a result of higher generation volumes. Depreciation expense increased $6 million compared to the same period in 2012 as a result of significant investments in the Corporation's property, plant and equipment.

These increases were offset by an $8 million decrease in the operating, maintenance and administration (OM&A) expense as a result of lower overhaul and maintenance costs as compared to the first quarter of 2012. In addition, finance charges decreased $1 million compared to the same period in 2012 due to higher interest capitalized partially offset by additional interest on long-term and short-term debt and decline in debt retirement fund earnings.

SaskPower reported $7 million of unrealized market value net losses in the first quarter of 2013, compared to $20 million in the first quarter of 2012. The unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end.

Outlook

SaskPower's income before unrealized market value adjustments is expected to be $101 million in 2013, resulting in a return on equity of 5.3%.

In 2013, Saskatchewan sales are expected to increase $118 million to $1.805 billion due to the system-wide average rate increase of 5.0% that came into effect on January 1, 2013. The rate increase is expected to provide $89 million in additional revenue in 2013. The remaining increase is due to a 521 GWh or 2.7% increase in electricity sales volumes, primarily in the oilfield and key account customer segments. The increase in Saskatchewan electricity sales is expected to be offset by a $31 million decrease in all other revenue sources as a result of improved stability in electricity market prices in 2013 and lower customer contribution revenue.

Fuel and purchased power costs are expected to increase $16 million. This is due to higher generation volumes and an unfavourable change in the fuel mix as it is anticipated that hydro generation will decline in 2013. OM&A expense is expected to decrease $17 million largely as a result of a reduction in maintenance activities relative to 2012. Depreciation, finance charges, taxes and other expenses are expected to increase $116 million as a result of SaskPower's ongoing capital program.

Capital expenditures in 2013 are forecast to be approximately $1.150 billion. This includes costs for the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project and associated Boundary Dam Power Station Unit #3 refurbishment; repowering of the Queen Elizabeth Power Station; maintaining and refurbishing the existing generation fleet; upgrading various transformers, and transmission and distribution lines; and connecting new customers to SaskPower's grid.

Revenue

Saskatchewan electricity sales

	Three months ended March 31		
(in millions)	**2013**	2012	Change
Saskatchewan electricity sales	**$ 478**	$ 427	$ 51

Saskatchewan electricity sales represent the sale of electricity to all customer classes within the province. These sales are subject to the effects of general economic conditions, number of customers, weather and electrical rates.

Saskatchewan electricity sales for the first quarter of 2013 were $478 million, up $51 million from the first quarter of 2012. The increase was due to the system-wide average rate increase of 5.0% that became effective January 1, 2013 and a rise in sales volumes. Electricity sales volumes to Saskatchewan customers for the first three months of 2013 were 5,339 GWh, up 408 GWh or 8.3% from the same period in 2012. The Corporation experienced growth in demand from almost all customer classes with the exception of farm customers.

Exports

	Three months ended March 31		
(in millions)	**2013**	2012	Change
Exports	**$ 11**	$ 8	$ 3

Exports represent the sale of SaskPower's surplus generation to other regions in Canada and the United States. The bulk of SaskPower's exports are traditionally made to the neighbouring Alberta and Midwest Independent Transmission System Operator (MISO) markets. Export pricing is not subject to the rate review process but is determined based on market conditions in other jurisdictions. Export sales volumes are dependent on the availability of surplus SaskPower generation, market conditions in other jurisdictions, and transmission availability.

Exports were $11 million in the first quarter of 2013, up $3 million from the first quarter of 2012. Exports were up due to an increase in the average export sales price and slightly higher sales volumes to Alberta. The average export sales price for the first three months of 2013 was approximately $107/MWh as compared to $90/MWh in the same period of 2012. Export sales volumes increased 23 GWh or 27.7% during the first three months of 2013, compared to the first three months of 2012.

Net sales from electricity trading

	Three months ended March 31		
(in millions)	**2013**	2012	Change
Electricity trading revenue	**$ 5**	$ 9	$ (4)
Electricity trading costs	**(4)**	(4)	-
Net sales from electricity trading	**$ 1**	$ 5	$ (4)

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions Inc., include the purchase and resale of electricity and other derivatives in regions outside Saskatchewan. The trading activities include both real time as well as short- to long-term physical and financial trades in the North American market. The trading activities are intended to deliver positive gross margins to SaskPower's bottom line while operating within an acceptable level of risk.

Electricity trading revenue was $5 million in the first quarter of 2013, down $4 million from the first quarter of 2012. The decrease was primarily due to the fact that in the first quarter of 2012, NorthPoint was able to lock in higher average sales prices through the use of electricity derivatives. In addition, trading volumes decreased 22 GWh during this period. As a result, the gross margin, or net sales after deducting purchased power costs was $1 million in the first three months of 2013, compared to $5 million in the same period in 2012.

Share of profit from equity accounted investees

(in millions)	Three months ended March 31 **2013**	2012	Change
Share of profit from equity accounted investees	**$ 1**	$ 3	$ (2)

SaskPower accounts for its 30% ownership in the MRM Cogeneration Station using the equity method. The MRM Cogeneration Station is a 172-megawatt (MW) natural gas-fired cogeneration facility located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. The electricity generated by the facility is used by the mine, with excess energy delivered to the Alberta power grid.

SaskPower's share of profit from its investment in the MRM Cogeneration Station was $1 million for the first quarter of 2013, down $2 million from the same period in 2012. The lower profit was due to the fact that more of the electricity generated by the facility was used by the mine so there was less opportunity to sell the excess electricity into Alberta.

Other revenue

(in millions)	Three months ended March 31 **2013**	2012	Change
Other revenue	**$ 22**	$ 20	$ 2

Other revenue includes various non-electricity products and services. Other revenue was $22 million in the first quarter of 2013, up $2 million from the first quarter of 2012. The $2 million increase was due to higher customer contributions. Customer contributions are funds received from certain customers for the costs of service extensions. These contributions are recognized immediately in profit or loss when the related property, plant and equipment is available for use.

Expense

Fuel and purchased power

(in millions)	Three months ended March 31 **2013**	2012	Change
Fuel and purchased power	**$ 143**	$ 134	$ 9

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities and through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve the Corporation's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have a low incremental cost per unit of generation. Hydro generation is dependent upon water levels and river flow at SaskPower's hydro facilities and coal generation is a product of the availability of our coal plants. Wind generation, the lowest incremental cost source of electricity, cannot be dispatched on a planned basis as it is dependent upon wind conditions.

Fuel and purchased power costs were $143 million in the first quarter of 2013, up $9 million from the first quarter of 2012. The $9 million increase is a result of an unfavourable volume variance offset by favourable fuel mix variance.

Total generation and purchased power was 6,143 GWh in the first three months of 2013, an increase of 456 GWh or 8.0% compared to the same period in 2012. The higher demand resulted in an estimated $11 million increase in fuel and purchased power costs.

The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal and wind, the more favourable the impact on fuel and purchased power costs. During the first quarter of 2013, the Corporation's coal and hydro generation accounted for 69% of total generation compared to 67% from the same period in 2012. The increased coal and hydro generation replaced more expensive natural gas generation and imports. This favourable change in the fuel mix resulted in an estimated $2 million decrease in fuel and purchased power costs.

The average price of fuel was essentially unchanged from 2012.

Operating, maintenance and administration (OM&A)

	Three months ended March 31		
(in millions)	**2013**	2012	Change
OM&A	**$ 137**	$ 145	$ (8)

OM&A expense was $137 million in the first quarter of 2013, down $8 million from the first quarter of 2012. The decline in operating costs was the result of a $8 million decrease as a result of an overhaul performed at the Poplar River Power Station and emergency maintenance to address an outage at Boundary Dam Power Station's Unit #6 in 2012.

Depreciation and amortization

	Three months ended March 31		
(in millions)	**2013**	2012	Change
Depreciation and amortization	**$ 83**	$ 77	$ 6

Depreciation represents a charge to income for the capital expenditures of SaskPower. The capital expenditures are amortized to income on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation rates are established based on periodic depreciation studies.

Depreciation expense was $83 million in the first quarter of 2013, up $6 million from the first quarter of 2012. The rise in depreciation expense was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures.

Finance charges

	Three months ended March 31		
(in millions)	**2013**	2012	Change
Finance charges	**$ 49**	$ 50	$ (1)

Finance charges include the net of interest on long-term and short-term debt; interest on finance leases; interest on provisions; interest capitalized; debt retirement fund earnings; and interest income.

Finance charges were $49 million in the first quarter of 2013, down $1 million from the first quarter of 2012. The decrease in finance charges was attributable to a $5 million increase in interest capitalized as a result of the significant growth in capital expenditures. This amount was offset by $3 million of additional interest on long-term and short-term debt and a $1 million decrease in debt retirement fund earnings.

Taxes

(in millions)	Three months ended March 31 2013	2012	Change
Taxes	**$ 12**	$ 12	$ -

Taxes represent the payment of corporation capital tax to the Province of Saskatchewan and grants-in-lieu of taxes paid to 13 cities in Saskatchewan. Taxes were $12 million in the first quarter of 2013, consistent with the first quarter of 2012.

Other losses

(in millions)	Three months ended March 31 2013	2012	Change
Other losses	**$ 2**	$ 2	$ -

Other losses include the net losses on asset disposals and retirements, foreign exchange and environmental remediation activities. Other losses were $2 million in the first quarter of 2013, consistent with the first quarter of 2012.

Unrealized market value adjustments

(in millions)	Three months ended March 31 2013	2012	Change
Natural gas contracts	**$ (4)**	$ (7)	$ 3
Natural gas inventory revaluation	**2**	1	1
Electricity contracts	**-**	(4)	4
Debt retirement funds	**(5)**	(10)	5
Unrealized market value adjustments	**$ (7)**	$ (20)	$ 13

Unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end. These non-cash transactions resulted in a net market value loss for the first quarter of 2013 of $7 million compared to $20 million in the first quarter of 2012.

SaskPower had outstanding natural gas hedges of approximately 84 million notional gigajoules (GJs) to cap the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the remainder of 2013 through 2022. The unrealized market value losses on these outstanding natural gas hedges and forward natural gas contracts were $4 million. The losses are the result of a decline in the value of the outstanding natural gas hedges. These unrealized losses are subject to significant volatility based on movements in the forward price of natural gas.

With the decline in forward natural gas prices, the net realizable value of the Corporation's natural gas inventory held in storage has fallen below cost. However, this decline in market price was more than offset by the reversal of prior period unrealized losses on natural gas inventory that was consumed during the period. As a result, SaskPower reported a net $2 million unrealized gain on its natural gas inventory.

The Corporation also recorded $5 million in market value losses related to its debt retirement funds, which represents a $5 million improvement compared to the same period in 2012.

Financial Condition

The following chart outlines changes in the condensed consolidated statement of financial position from December 31, 2012, to March 31, 2013:

(in millions)	Increase / (decrease)	Explanation of change
Cash and cash equivalents (bank indebtedness)	$ 5	Refer to the Condensed Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	11	Higher electricity sales in March 2013 compared to March 2012.
Inventory	(4)	Decrease in natural gas inventory partially offset by increase in maintenance supplies.
Prepaid expenses	7	Increase in prepaid employee benefits.
Property, plant and equipment	157	Capital additions offset by depreciation expense and asset disposals and retirements.
Intangible assets	(4)	Capitalization of new software costs less amortization expense.
Debt retirement funds	8	Instalments and earnings less market value adjustments.
Investments accounted for using equity method	1	MRM equity investment income.
Other assets	-	
Accounts payable and accrued liabilities	(2)	Timing of payments.
Accrued interest	(18)	Timing of interest payments.
Risk management liabilities (net of risk management assets)	(5)	Improvement in the fair value of the bond forward agreements.
Short-term advances	(86)	Repayment of short-term advances as a result of long-term borrowing.
Long-term debt (including current portion)	194	New borrowings in February.
Finance lease obligations (including current portion)	(1)	Lease principal repayments.
Employee benefits	(24)	Actuarial gains on the defined benefit pension plan.
Provisions	1	Interest on decommissioning provisions.
Equity	122	2013 comprehensive income.

Liquidity and Capital Resources

Cash flow highlights

(in millions)	March 31 2013	December 31 2012	Change
Cash and cash equivalents	**$ 7**	$ 2	$ 5

The Corporation's cash position increased $5 million from December 31, 2012. The $5 million increase was the result of $123 million provided by operating activities and $110 million provided by financing activities, offset by $228 million used in investing activities.

a) Operating activities

	Three months ended March 31		
(in millions)	2013	2012	Change
Cash provided by operating activities	**$ 123**	$ 54	$ 69

Cash provided by operating activities was $123 million in the first quarter of 2013, up $69 million from the first quarter of 2012. The increase was primarily the result of the higher net income as a result of the rise in Saskatchewan electricity sales.

b) Investing activities

	Three months ended March 31		
(in millions)	2013	2012	Change
Generation	**$ 142**	$ 102	$ 40
Transmission & Distribution	**76**	76	-
Other	**19**	14	5
Total capital expenditures	**$ 237**	$ 192	$ 45
Less: Interest capitalized	**(10)**	(5)	(5)
Net costs of removal of assets	**1**	-	1
Distributions from equity accounted investees	**-**	(4)	4
Cash used in investing activities	**$ 228**	$ 183	$ 45

In order to ensure a safe, reliable, and sustainable supply of electricity for its customers, SaskPower invested $237 million in the first quarter of 2013 on various capital projects. This includes $126 million invested in the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. The Corporation also invested $42 million to connect customers to the SaskPower electric system; $34 million on increasing capacity and sustaining transmission and distribution infrastructure; $6 million on Service Delivery Renewal projects and $5 million on Information Technology projects.

c) Financing activities

(in millions)	Three months ended March 31 2013	2012	Change
Net proceeds from (repayment of) short-term advances	$ (86)	$ 174	$ (260)
Proceeds from (repayment of) long-term debt	194	(1)	195
Debt retirement fund instalments	(6)	(6)	-
Principal repayment of finance lease obligations	(1)	(1)	-
Realized gains on cash flow hedges	9	-	9
Dividends paid	-	(30)	30
Cash provided by financing activities	$ 110	$ 136	$ (26)

In the first quarter of 2013, $110 million of cash was provided by financing activities compared to $136 million in the first quarter of 2012. The cash was used to finance the Corporation's capital program.

Capital management

(in millions)	March 31 2013	December 31 2012	Change
Long-term debt	$ 3,174	$ 2,980	$ 194
Short-term advances	677	763	(86)
Finance lease obligations	434	435	(1)
Total debt	4,285	4,178	107
Debt retirement funds	(398)	(390)	(8)
(Cash and cash equivalents) bank indebtedness	(7)	(2)	(5)
Total net debt	$ 3,880	$ 3,786	$ 94
Retained earnings	1,427	1,347	80
Accumulated other comprehensive loss	(107)	(149)	42
Equity advances	660	660	-
Total capital	$ 5,860	$ 5,644	$ 216
Per cent debt ratio [1]	66.2%	67.1%	(0.9%)

1. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds– cash and cash equivalents).

SaskPower's total debt position (including finance lease obligations) was $4,285 million at March 31, 2013, up $107 million from December 31, 2012. The increase in total debt was the result of:

- On February 20, 2013, the Corporation, through the Saskatchewan Ministry of Finance (General Revenue Fund), borrowed $200 million of long-term debt at a discount of $5 million. The debt issue had a coupon rate of 3.40%, an effective interest rate of 3.54% and a hedged rate of 3.28% and matures on February 3, 2042; and
- This increase in debt was offset by the repayment of $86 million of short-term advances; $1 million in non-recourse debt; and $1 million principal repayment of the Corporation's finance lease obligations.

The Corporation's per cent debt ratio has decreased from 67.1% at the end of 2012 to 66.2% as at March 31, 2013, due to the increased equity balance as a result of the $122 million in comprehensive income.

Debt retirement fund instalments

(in millions)	Three months ended March 31 **2013**	2012	Change
Debt retirement fund instalments	$ 6	$ 6	$ -

Debt retirement funds are monies set aside to retire outstanding long-term debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Government of Saskatchewan's General Revenue Fund.

During the first quarter of 2013, the Corporation made $6 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Government of Saskatchewan's General Revenue Fund. SaskPower also earned $7 million (included with finance charges and classified as non-cash operating activities), on the debt retirement funds for the period.

Dividends

SaskPower historically paid dividends to Crown Investments Corporation (CIC) of Saskatchewan based on the CIC Dividend Policy. CIC has determined that SaskPower will not be required to pay dividends in 2013 due to the significant investments in property, plant and equipment of the Corporation.

Contractual obligations

The Corporation has the following significant long-term contractual obligations as at March 31, 2013, which will impact cash flows in 2013 and beyond:

(in millions)	**1 year**	**1 - 5 years**	**More than 5 years**
Long-term debt (including principal and interest)	$ 289	$ 755	$ 5,435
Debt retirement fund instalments	31	119	465
Future minimum lease payments	58	243	795

SaskPower's financing requirements for the next 12 months will include $289 million in principal and interest payments, $31 million of debt retirement fund instalments, and $58 million in minimum lease payments under existing power purchase agreements. Included in the future minimum lease payments above, is the availability payments related to the power purchased agreements which have been classified as finance leases. SaskPower evaluates the need for additional borrowings throughout the year.

Condensed Consolidated Statement of Income

(in millions)		(Unaudited) Three months ended March 31 2013		2012 (Restated - Note 3)
Revenue				
Saskatchewan electricity sales	**$**	**478**	$	427
Exports		**11**		8
Net sales from electricity trading		**1**		5
Share of profit from equity accounted investees		**1**		3
Other revenue		**22**		20
		513		463
Expense				
Fuel and purchased power		**143**		134
Operating, maintenance and administration		**137**		145
Depreciation and amortization		**83**		77
Finance charges		**49**		50
Taxes		**12**		12
Other losses		**2**		2
		426		420
Income before the following		**87**		43
Unrealized market value adjustments		**(7)**		(20)
Net income	**$**	**80**	$	23

See accompanying notes

Condensed Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended March 31 2013	2012 (Restated - Note 3)
Net income	**$ 80**	$ 23
Other comprehensive income (loss)		
Amounts that will be reclassified subsequently to net income:		
Share of other comprehensive income from equity accounted investees	**-**	-
Realized gains (losses) on derivatives designated as cash flow hedges	**9**	-
Unrealized gains (losses) on derivatives designated as cash flow hedges	**9**	-
Amounts that will not be reclassified subsequently to net income:		
Net actuarial gains (losses) on defined benefit pension plans	**24**	30
	42	30
Total comprehensive income	**$ 122**	$ 53

See accompanying notes

Condensed Consolidated Statement of Financial Position

(in millions) As at		(Unaudited) March 31 2013		(Unaudited) December 31 2012 (Restated - Note 3)		(Unaudited) January 1 2012 (Restated - Note 3)
Assets						
Current assets						
Cash and cash equivalents	$	**7**	$	2	$	-
Accounts receivable and unbilled revenue		**275**		264		236
Inventory		**161**		165		154
Prepaid expenses		**14**		7		6
Risk management assets		**8**		3		6
		465		441		402
Property, plant and equipment *(Note 4)*		**6,187**		6,030		5,387
Intangible assets		**58**		62		52
Debt retirement funds		**398**		390		353
Investments accounted for using equity method		**38**		37		36
Other assets		**9**		9		11
Total assets	$	**7,155**	$	6,969	$	6,241
Liabilities and equity						
Current liabilities						
Bank indebtedness	$	**-**	$	-	$	4
Accounts payable and accrued liabilities		**339**		341		342
Accrued interest		**34**		52		49
Risk management liabilities		**38**		38		52
Short-term advances		**677**		763		251
Current portion of long-term debt *(Note 5)*		**101**		101		4
Current portion of finance lease obligations *(Note 6)*		**4**		3		2
		1,193		1,298		704
Long-term debt *(Note 5)*		**3,073**		2,879		2,774
Finance lease obligations *(Note 6)*		**430**		432		435
Employee benefits		**316**		340		315
Provisions		**163**		162		149
Total liabilities		**5,175**		5,111		4,377
Equity						
Retained earnings		**1,427**		1,347		1,332
Accumulated other comprehensive loss		**(107)**		(149)		(128)
Equity advances		**660**		660		660
Total equity		**1,980**		1,858		1,864
Total liabilities and equity	$	**7,155**	$	6,969	$	6,241

See accompanying notes

Condensed Consolidated Statement of Changes in Equity

(in millions)	Retained earnings	Net gains (losses) - equity accounted investees	Net gains (losses) on derivatives designated as cash flow hedges	Net actuarial gains (losses) on defined benefit pension plans	Equity advances	(Unaudited) Total
		Accumulated other comprehensive loss				
Equity	(Restated - Note 3)			(Restated - Note 3)		(Restated - Note 3)
Balance, January 1, 2012	$ 1,332	$ -	$ -	$ (128)	$ 660	**$ 1,864**
Net income	23	-	-	-	-	**23**
Other comprehensive income (loss)	-	-	-	30	-	**30**
Dividends	(120)	-	-	-	-	**(120)**
Balance, March 31, 2012	**$ 1,235**	**$ -**	**$ -**	**$ (98)**	**$ 660**	**$ 1,797**
Net income	112	-	-	-	-	**112**
Other comprehensive income (loss)	-	-	(6)	(45)	-	**(51)**
Dividends	-	-	-	-	-	**-**
Balance, December 31, 2012	**$ 1,347**	**$ -**	**$ (6)**	**$ (143)**	**$ 660**	**$ 1,858**
Net income	80	-	-	-	-	**80**
Other comprehensive income (loss)	-	-	18	24	-	**42**
Dividends	-	-	-	-	-	**-**
Balance, March 31, 2013	**$ 1,427**	**$ -**	**$ 12**	**$ (119)**	**$ 660**	**$ 1,980**

See accompanying notes

Condensed Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended March 31 2013	2012 (Restated - Note 3)
Operating activities		
Net income	**$ 80**	$ 23
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	**83**	77
Finance charges	**49**	50
Other losses	**2**	2
Unrealized market value adjustments	**7**	20
Defined benefit pension plan current service cost	**-**	-
Other benefit plans	**(2)**	(3)
Share of profit from equity accounted investees	**(1)**	(3)
	218	166
Net change in non-cash working capital	**(15)**	(36)
Interest paid	**(80)**	(76)
Cash provided by operating activities	**123**	54
Investing activities		
Property, plant and equipment additions	**(226)**	(175)
Intangible assets additions	**(1)**	(12)
Net costs of removal of assets	**(1)**	-
Distributions from equity accounted investees	**-**	4
Cash used in investing activities	**(228)**	(183)
Decrease in cash before financing activities	**(105)**	(129)
Financing activities		
Net proceeds from (repayment of) short-term advances	**(86)**	174
Proceeds from (repayment of) long-term debt	**194**	(1)
Debt retirement fund instalments	**(6)**	(6)
Principal repayment of finance lease obligations	**(1)**	(1)
Realized gains on derivatives designated as cash flow hedges	**9**	-
Dividends paid	**-**	(30)
Cash provided by financing activities	**110**	136
Increase in cash	**5**	7
Cash and cash equivalents (bank indebtedness), beginning of period	**2**	(4)
Cash and cash equivalents, end of period	**$ 7**	$ 3

See accompanying notes

1. Description of business

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's head office is located at 2025 Victoria Avenue in Regina, Saskatchewan, Canada, S4P 0S1.

By virtue of *The Crown Corporations Act, 1993,* SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal and provincial income taxes.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. These condensed consolidated financial statements do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

The accounting policies used in the preparation of these condensed consolidated financial statements conform with those used in the Corporation's most recent annual consolidated financial statements with the exception of the change in accounting policies discussed in Note 3.

The condensed consolidated financial statements were authorized for issue by the Audit & Finance Committee of the Board of Directors on May 3, 2013.

(b) Interim measurement

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal, with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

(c) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis except for the following material items in the condensed consolidated statement of financial position:

- Financial instruments that are accounted for at fair value through profit or loss.
- Provisions.
- Employee benefit plans accrued benefit obligations.

(d) Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest million.

(e) Fair value measurement

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. SaskPower's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The Corporation has classified the fair value of its financial instruments as level 1, 2, or 3 *(Note 7)* as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access. The fair values for cash and cash equivalents and bank indebtedness were based on carrying value as an approximation of market value due to the short time frame to maturity.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The debt retirement funds are valued by the Government of Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Natural gas fixed price swap contract values are calculated using internal discounted cash flow models that rely on forward AECO C natural gas pricing provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves. Natural gas options (two-way collars) are valued using over-the-counter or end-market pricing received from the reference dealer.

Electricity contract fair values are determined using independent pricing information from external market providers.

Bond forward agreement fair values are determined using internal discounted cash flow models that rely on forward Government of Canada bond yields provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. The finance lease obligations are valued using internal cash flow models based on contracted pricing in the Corporation's power purchase agreements. The contracted cash flows are discounted using the Government of Saskatchewan bond yields adjusted for a negotiated risk premium.

(f) Use of estimates and judgments

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates are:

- Electrical deliveries not yet billed at period-end and allowance for doubtful accounts.
- Allowance for inventory obsolescence.
- Underlying estimates of useful lives and related depreciation and accumulated depreciation.
- Carrying amounts of provisions and underlying estimates of future cash flows.
- Fair value of financial instruments.
- Carrying amounts of employee benefits and underlying actuarial assumptions.

Following the completion of an internal depreciation study, the estimated useful lives of certain assets were changed. The change in estimate was applied prospectively, effective January 1, 2013, and is expected to result in a $6 million increase to depreciation expense in 2013.

Areas of judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated financial statements include:

- Identification of arrangements which contain a lease.
- Revenue recognition of customer contributions.

(g) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2013, and have not been applied in preparing these condensed consolidated financial statements. In particular, IFRS 9, *Financial Instruments* will be effective for annual periods beginning on or after January 1, 2015. SaskPower is reviewing the standard to determine the potential impact, if any, on its consolidated financial statements. The Corporation does not have any plans to early adopt the new standards.

3. Change in accounting policies

(a) IFRS 11, Joint Arrangements

Effective January 1, 2013, SaskPower adopted IFRS 11, *Joint Arrangements,* which replaced IAS 31, *Interests in Joint Ventures.* This new standard was applied retrospectively. SaskPower accounted for its jointly controlled interest in the Cory Cogeneration Station and the Cory Cogeneration Funding Corporation using the equity method under IAS 31. Under IFRS 11, these joint arrangements meet the definition of joint operations and as such the Corporation recognized its proportionate share of the assets and liabilities. The impact upon adoption of the new standards is as follows:

Consolidated Statement of Income	**Increase (decrease)**			
		Three months ended March 31		**Twelve months ended December 31**
(in millions)		**2012**		**2012**
Share of profit from equity accounted investees	$	(2)	$	(7)
Operating, maintenance and administration		-		1
Finance charges		(2)		(8)
Adjustment to net income	**$**	**-**	**$**	**-**

Consolidated Statement of Financial Position	**Increase (decrease)**			
		January 1		**December 31**
(in millions)		**2012**		**2012**
Investments accounted for using equity method	$	(41)	$	(44)
Total assets	**$**	**(41)**	**$**	**(44)**
Bank indebtedness (cash and cash equivalents)	$	(2)	$	(2)
Accounts payable and accrued liabilities		4		3
Current portion of long-term debt		4		4
Current portion of finance lease obligations		(1)		(2)
Long-term debt		67		63
Finance lease obligations		(117)		(115)
Provisions		4		5
Total liabilities and equity	**$**	**(41)**	**$**	**(44)**

(b) IAS 19, Employee Benefits

Effective January 1, 2013, SaskPower adopted the amendments to IAS 19, *Employee Benefits*. This new standard was applied retrospectively. The amendments required remeasurements (actuarial gains and losses and the actual return on plan assets) to be recognized immediately in other comprehensive income and all current service costs and interest income (expense) to be recognized immediately in net income. Interest income (expense) will be calculated by applying the discount rate to the net defined benefit asset (liability). In addition under the revised standards, the cumulative amount of actuarial gains and losses recorded in other comprehensive income related to the Corporation's defined benefit pension plans will not continue to be transferred to retained earnings. The impact upon the adoption of the new standards is as follows:

Consolidated Statement of Comprehensive Income	**Increase (decrease)**			
	Three months ended March 31		**Twelve months ended December 31**	
(in millions)	**2012**		**2012**	
Operating, maintenance and administration	$	1	$	2
Finance charges		3		16
Adjustment to net income	**$**	**(4)**	**$**	**(18)**
Net actuarial gains (losses) on defined benefit pension plans	$	4	$	(18)
Adjustment to other comprehensive income (loss)	**$**	**4**	**$**	**18**

Consolidated Statement of Financial Position	**Increase (decrease)**			
	January 1		**December 31**	
(in millions)	**2012**		**2012**	
Retained earnings	$	128	$	143
Accumulated other comprehensive loss		(128)		(143)
Total equity	**$**	**-**	**$**	**-**

(c) Other new standards

The following new standards, and amendments to standards, effective for annual periods beginning on or after January 1, 2013, have been applied in preparing these condensed consolidated financial statements:

- IFRS 10, *Consolidated Financial Statements* and IAS 27, *Separate Financial Statements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurement*
- Amendments to IAS 1, *Presentation of Financial Statements*
- Amendments to IAS 28, *Investments in Associates and Joint Ventures*
- Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* and IFRS 7, *Disclosures*

The adoption of these standards had no material impact on the consolidated financial statements. The new disclosure requirements will be provided in the 2013 annual consolidated financial statements.

4. Property, plant and equipment

(in millions)	Generation	Leased assets	Transmission	Distribution	Other	Construction in progress	Total
Cost or deemed cost							
Balance, January 1, 2012	$ 4,253	$ 533	$ 966	$ 2,660	$ 517	$ 448	**$ 9,377**
Additions	34	-	18	41	13	192	**298**
Disposals and/or retirements	(2)	-	-	(3)	(2)	-	**(7)**
Transfers	-	-	-	-	-	(118)	**(118)**
Balance, March 31, 2012	**$ 4,285**	**$ 533**	**$ 984**	**$ 2,698**	**$ 528**	**$ 522**	**$ 9,550**
Additions	174	-	77	167	47	789	**1,254**
Disposals and/or retirements	(28)	-	(4)	(16)	(7)	-	**(55)**
Transfers	-	-	-	-	(6)	(471)	**(477)**
Balance, December 31, 2012	**$ 4,431**	**$ 533**	**$ 1,057**	**$ 2,849**	**$ 562**	**$ 840**	**$ 10,272**
Additions	3	-	10	40	24	237	**314**
Disposals and/or retirements	-	-	-	(2)	(2)	-	**(4)**
Transfers	-	-	-	-	-	(78)	**(78)**
Balance, March 31, 2013	**$ 4,434**	**$ 533**	**$ 1,067**	**$ 2,887**	**$ 584**	**$ 999**	**$ 10,504**
Accumulated depreciation							
Balance, January 1, 2012	$ 2,087	$ 160	$ 412	$ 1,120	$ 211	$ -	**$ 3,990**
Depreciation expense	33	6	6	21	7	-	**73**
Disposals and/or retirements	(2)	-	-	(2)	(1)	-	**(5)**
Transfers	-	-	-	-	-	-	**-**
Balance, March 31, 2012	**$ 2,118**	**$ 166**	**$ 418**	**$ 1,139**	**$ 217**	**$ -**	**$ 4,058**
Depreciation expense	98	15	20	64	28	-	**225**
Disposals and/or retirements	(19)	-	(1)	(13)	(7)	-	**(40)**
Transfers	-	-	-	-	(1)	-	**(1)**
Balance, December 31, 2012	**$ 2,197**	**$ 181**	**$ 437**	**$ 1,190**	**$ 237**	**$ -**	**$ 4,242**
Depreciation expense	34	6	7	22	9	-	**78**
Disposals and/or retirements	-	-	-	(1)	(2)	-	**(3)**
Transfers	-	-	-	-	-	-	**-**
Balance, March 31, 2013	**$ 2,231**	**$ 187**	**$ 444**	**$ 1,211**	**$ 244**	**$ -**	**$ 4,317**
Net book value							
Balance, March 31, 2012	**$ 2,167**	**$ 367**	**$ 566**	**$ 1,559**	**$ 311**	**$ 522**	**$ 5,492**
Balance, December 31, 2012	**$ 2,234**	**$ 352**	**$ 620**	**$ 1,659**	**$ 325**	**$ 840**	**$ 6,030**
Balance, March 31, 2013	**$ 2,203**	**$ 346**	**$ 623**	**$ 1,676**	**$ 340**	**$ 999**	**$ 6,187**

In the first three months of 2013, interest costs totaling $10 million (2012 – $5 million) were capitalized at the weighted average cost of borrowings rate of 5.50% (2012 – 6.20%)

The Corporation is forecasting to spend $1.15 billion on capital projects in 2013.

5. Long-term debt

(in millions)		(Restated - Note 3)
Balance, January 1, 2012	$	2,778
Issues during the period		-
Repayments during the period		(1)
Amortization of debt premium net of discounts		-
Balance, March 31, 2012	**$**	**2,777**
Issues during the period		207
Repayments during the period		(3)
Amortization of debt premium net of discounts		(1)
Balance, December 31, 2012	**$**	**2,980**
Issues during the period		195
Repayments during the period		(1)
Amortization of debt premium net of discounts		-
	$	3,174
Less: current portion of long-term debt		(101)
Balance, March 31, 2013	**$**	**3,073**

On February 20, 2013, the Corporation, through the Saskatchewan Ministry of Finance (General Revenue Fund), borrowed $200 million of long-term debt at a discount of $5 million. The debt issue has a coupon rate of 3.40%, an effective interest rate of 3.54% and a hedged rate of 3.28% and matures on February 3, 2042.

Included in the long-term debt balance at March 31, 2013, is $66 million of non-recourse debt related to SaskPower's joint venture interest in the Cory Cogeneration Station. The debt has effective interest rates ranging from 7.87% to 7.88% and matures between December 31, 2025 and June 30, 2026.

6. Finance lease obligations

(in millions)		**March 31 2013**		(Restated - Note 3) December 31 2012
Total future minimum lease payments	**$**	**1,096**	$	1,111
Less: future finance charges on finance leases		**(662)**		(676)
Present value of finance lease obligations	**$**	**434**	$	435
Less: current portion of finance lease obligations		**(4)**		(3)
	$	**430**	$	432

7. Financial instruments

			(Restated - Note 3)			
			March 31, 2013		December 31, 2012	
(in millions)			**Asset (liability)**		Asset (liability)	
Financial instruments	**Classification[4]**	**Level[5]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	FVTPL[1]	1	**$ 7**	**$ 7**	$ 2	$ 2
Accounts receivable and unbilled revenue	L&R[2]	N/A	**275**	**275**	264	264
Debt retirement funds	FVTPL[1]	2	**398**	**398**	390	390
Other assets - investment	FVTPL[1]	3	**1**	**1**	1	1
Financial liabilities						
Bank indebtedness	FVTPL[1]	1	**$ -**	**$ -**	$ -	$ -
Accounts payable and accrued liabilities	OL[3]	N/A	**(339)**	**(339)**	(341)	(341)
Accrued interest	OL[3]	N/A	**(34)**	**(34)**	(52)	(52)
Short-term advances	OL[3]	N/A	**(677)**	**(677)**	(763)	(763)
Long-term debt	OL[3]	2	**(3,174)**	**(4,138)**	(2,980)	(3,993)
Finance lease obligations	OL[3]	3	**(434)**	**(507)**	(435)	(508)

			March 31, 2013		December 31, 2012	
(in millions)	**Classification[4]**	**Level[5]**	**Asset**	**Liability**	Asset	Liability
Natural gas contracts						
Two-way collars	FVTPL[1]	2	**$ -**	**$ -**	$ -	$ -
Fixed price swap instruments	FVTPL[1]	2	**3**	**(36)**	2	(31)
Forward agreements	FVTPL[1]	2	**-**	**(1)**	1	(2)
Electricity contracts						
Contracts for differences	FVTPL[1]	2	**-**	**(1)**	-	-
Forward agreements	FVTPL[1]	2	**-**	**-**	-	(1)
Interest rate risk management						
Bond forward agreements	FVTPL[1]	2	**5**	**-**	-	(4)
			$ 8	**$ (38)**	$ 3	$ (38)

1. FVTPL – fair value through profit or loss.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as held-to-maturity.
5. Fair values are determined using a fair value hierarchy as follows:

   Level 1 – Quoted prices in active markets for identical assets or liabilities.

   Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.

   Level 3 – Inputs for the asset or liability that are not based on observable market data.

   Not applicable (N/A) – Financial instruments – including accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest and short-term advances – are carried at values which approximate fair value.

System Map

As of March 31, 2013

AVAILABLE GENERATION (net capacity)

HYDROELECTRIC

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 101 MW
4. Nipawin Hydroelectric Station - 255 MW
5. E.B. Campbell Hydroelectric Station - 288 MW
13. Coteau Creek Hydroelectric Station - 186 MW

NATURAL GAS

3. Meadow Lake Power Station - 44 MW
7. Yellowhead Power Station - 138 MW
9. Ermine Power Station - 92 MW
10. Landis Power Station - 79 MW
12. Queen Elizabeth Power Station - 430 MW
15. Success Power Station - 30 MW

WIND

16. Cypress Wind Power Facility - 11 MW
18. Centennial Wind Power Facility - 150 MW

COAL

20. Poplar River Power Station - 582 MW
21. Boundary Dam Power Station - 828 MW
23. Shand Power Station - 276 MW

INDEPENDENT POWER PRODUCERS

6. Meridian Cogeneration Station - 210 MW
8. NRGreen Kerrobert Heat Recovery Facility - 5 MW
11. Cory Cogeneration Station - 228 MW
14. NRGreen Loreburn Heat Recovery Facility - 5 MW
17. SunBridge Wind Power Facility - 11 MW
19. NRGreen Estlin Heat Recovery Facility - 5 MW
22. NRGreen Alameda Heat Recovery Facility - 5 MW
24. Red Lily Wind Power Facility - 26 MW
25. Spy Hill Generating Station - 86 MW
26. Prince Albert Pulp Inc. - 10 MW
27. North Battleford Energy Centre - 261 MW (under construction)

TRANSMISSION

- 230 kV
- 138 kV/115kV/110kV
- Switching station
- Interconnection

SaskPower
Powering the future

Saskatchewan Power Corporation
2025 Victoria Avenue | Regina, Saskatchewan
Canada S4P 0S1
saskpower.com